CONFIDENTIAL

PATENT COMMITTEE MINUTES

January 18, 1984

The Patent Committee met on Wednesday, January 18, in the Research Center in Richmond. Members present included the following: Messrs. Adkins, Clarke, Mandiratta, Meyer, Palmer, Pollak, Schardt, Smith, Taylor, Thomson, and Turano; Drs. Farone, Hausermann, Osdene and Seligman and Mrs. Hutcheson. Mr. Holtzman also attended the meeting.

Mr. Adkins, Chairman, called the meeting to order. The following topics were discussed.

I. Technology Update - Extruded Products

Mr. Frank Watson, Manager of Tobacco Fundamentals, presented an overview of current development effort on extruded products. Samples of both sheet and rod products were provided.

II. New Products - Status Report

a) Oval Cigarettes

Mr. George Taylor provided an update on production of oval, filtered cigarettes. Development of a tipper for making slim ovals is underway with test market anticipated in May. The slim product will be presented in a hinge-lid box. A premium oval, filtered product packed in metal boxes is also being contemplated according to Mr. Taylor. Applications for patent on the tipping apparatus, method for aligning oval cigarettes and packaging of ovals in the herringbone pattern are pending in the United States Patent and Trademark Office.

b) Project Data

Mr. Meyer reported that results of focus group studies conducted on Project Data were encouraging. The product provides for variable dilution which smokers may select by rotating the filter to the desired delivery level. A number of applications for patent on variable dilution filters have been

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filed both in the U.S. and abroad.

c) Packaging Concepts

Mr. Schardt reported that increasing numbers of disclosures related to packaging concepts were being submitted to the Patent Staff for consideration. He asked for recommendations for handling the disclosures. It was agreed that patent or design applications would not be filed routinely but would be considered when the concept represents a unique advance in the packaging art or there was clear indication of interest by management. Mr. Turano suggested that focus groups might be an advantageous means for "publishing" or disclosing packaging concepts.

III. Updates

a) Crop Genetics International

Dr. Farone reviewed the current status of R & D and Crop Genetics International's joint research project. He noted that work continues to finalize a definitive agreement as contemplated by the letter of intent.

b) Filtrona MPF

Mr. Meyer reported that negotiations continue with Filtrona regarding technology for making multi-pneumatic filters (MPF).

c) Washington University (Microencapsulation)

According to Mr. Meyer, the option-to-license agreement which provides for the exclusive use of microencapsulated flavors in tobacco products has been sent to Dr. Sparks for his approval and signature. The agreement currently stipulates a royalty of 0.25 cents per thousand cigarettes containing the microencapsulated flavors.

d) Filter Materials Ltd.

Development effort continues on the polypropylene filter with emphasis on reducing the amount of adhesive used to fuse the fibers. It was reported that there have been expressions of interest in the subject from various sources

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including the Chinese National Tobacco Company. Mr. Meyer noted that BAT appears still interested in the technology and it was pointed out that BAT apparently assigned the Brazilian rights in its hardener to Souza Cruz.

e) Denitrification Interference with B&W

Mr. Palmer reported that a non-exclusive license on the microbial denitrification process had been signed by both Philip Morris and Brown & Williamson. He also noted that the Patent Office has not completed its determination with respect to patent rights on the process.

IV. STATUS REPORTS

a) Benkert

Mr. Schardt reported on a recent meeting in New York attended by representatives of Benkert and Philip Morris. Additional technical information was presented by R & D personnel, and Philip Morris has since agreed to provide CORESTA porosity data on plug wrap currently in use on Marlboro cigarettes (softpack). Mr. Schardt reported that opposition proceedings were still pending in Australia, Brazil, and Germany.

b) Barclay

Mr. Mandiratta presented a brief update on the status of Barclay in Europe. A patent related to the grooved filter has been granted to BAT in Germany and FTR anticipates filing opposition papers based on prior art prior to the deadline of March 22.

V. New Business

a) FTR Filter Application

Dr. Hausermann discussed a UK patent application on a recessed grooved filter developed at FTR and whether it should be filed in countries other than the UK. After some discussion, the Committee agreed to wait for additional advice from patent counsel before deciding upon a strategy for this and related cases.

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b) Optimization of Defensive Publications

Dr. Farone and Mr. Schardt discussed various means for publishing inventions in technical or other specified journals rather than seeking patent coverage. In many instances when the application is filed for defensive purposes in the U.S., it may be sufficient to publish an abstract in the "Tobacco Patents Information Bulletin, the "International Technology Disclosure Journal" or other similar publications rather than file foreign applications. The Committee agreed that this approach should be considered on appropriate defensive applications.

c) LTR/Chevron Cutter

Mr. Turano reported that LTR of France has indicated an interest in the chevron cutter developed by Philip Morris for cutting reconstituted tobacco sheet. He anticipates receiving a letter of interest and possible offer of technology from LTR in exchange for use of the cutter. Discussion and decision were deferred pending receipt of the letter from LTR.

d) Mr. Turano discussed marketing efforts on the L-band microwave moisture meter by Dr. Donald Steinbrecher. The Committee agreed that, at Dr. Steinbrecher's request, Philip Morris might, as a courtesy, review Dr. Steinbrecher's sales brochure for accurate use of terminology generally used in the tobacco industry, but that Philip Morris should not undertake to review and approve Steinbrecher's marketing communications.

VI. Meeting Dates

The Committee set dates for future 1984 meetings as follows:

Wednesday, March 28, 1984
Wednesday, June 27, 1984
Wednesday, September 26, 1984

All meetings will be held in A1 Conference Room in R & D at 9:30 a.m.

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